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Benefits To Michigan's Economy And To Michigan Treasury Tax Collections Since Enactment Of Rare Coin and Bullion Sales Tax Exemption July 7, 1999.

Prepared by Patrick A. Heller, CPA, President of Liberty Coin Service
August 25, 2005

The following information is conservatively figured so that any variance would result in higher net benefit to the Michigan economy and to Treasury tax collections.

28% increase in the number of coin dealerships in Michigan (210 in 1999, now 270)

200 new jobs in Michigan, a 44% increase (450 in 1999 to 650 today)

92% increase in annual wholesale and retail sales by coin dealerships in Michigan (\$54 million in 1999 to \$104 million today)

\$590,000 increase in annual net sales tax collections by Michigan coin dealerships, despite the exemption

\$40,000 increase in annual single business taxes paid by Michigan coin dealerships

\$200,000 increase in annual individual Michigan income taxes paid by employees of Michigan coin dealerships

The two largest components of the increase in sales tax collections are:

- 1) About 50% of sales by coin dealerships in Michigan are merchandise not exempt from sales tax such as jewelry, antiques, sports memorabilia, hobby supplies, paper money, and other collectibles. As traffic at Michigan coin dealerships increased, sales of taxable merchandise have risen.
- 2) Some national and regional coin organizations have a policy of awarding future coin shows only (or preferably) to states with sales tax exemptions for coins and bullion. Since the exemption took effect, there has been an increase in coin shows in Michigan. Michigan coin dealers have decreased their attendance at out-of-state coin shows and increased their attendance at shows in-state. More non-Michigan dealers have come into the state to attend coin shows. More non-Michigan collectors have come to Michigan coin shows. As a result, sales collections by the hospitality industry have increased by more than the amount forsaken by the coin and bullion sales tax exemption.

Should the Michigan rare coin and precious metals bullion sales and use tax exemption be eliminated, the Michigan economy would likely suffer the closure of at least 30 businesses, the loss of at least 100 jobs, a net decrease in sales tax collections (not an increase of \$400,000 as included in the budget projections), and decreases in single business tax and individual income tax collections.

This boost to the Michigan economy and Treasury tax collections (the data above excludes any internet-only coin dealerships) occurred despite the growth since 1999 of interstate competition from dealers selling via the internet!

Conversely, since rare coins and precious metals can now more easily be purchased and stored outside of Michigan, the negative impact of eliminating this exemption is likely to be swift and severe. Unlike consumable items like movie theater tickets, golf course fees, and driver education services, which cannot be conveniently bought out of state, a large percentage of all rare coin and bullion purchases by Michigan citizens are already made out of state.

The Federal government recognizes rare coins and precious metals bullion as "investments" instead of as consumption items. Pension plans, profit-sharing plans, 401(k) plans, and even IRAs can acquire these investments.

Many "interests" have benefited by enactment of the rare coin and precious metals sales and use tax exemption:

- **Michigan's economy**--Michigan became competitive with Illinois, California, New York, Texas, Florida, Missouri, and 18 other states that have complete or partial sales tax exemptions on rare coins and precious metals bullion. Michigan has attracted new businesses and created jobs in both the coin and the hospitality industry. This sales tax exemption has proven to be so beneficial to state economies that Pennsylvania and South Carolina are currently considering enacting such exemptions.
- **Michigan job seekers**--increased opportunities with the addition of 200 new jobs so far and the trend appears likely to continue in the future.
- **Public education**--a net increase in formula funding because of the higher sales tax collections (special note: the Michigan Education Association did not oppose passage of this exemption!).
- **Overall Michigan Treasury collections**--a net increase of almost \$1 million annually.
- **The average Michigan investor and collector**--they are no longer being penalized for being Michigan residents and for wanting to invest their money with Michigan businesses. They are no longer forced to transact their business with non-Michigan businesses and store their merchandise out of state to avoid Michigan sales tax. Since the exemption was enacted, my company's Michigan retail sales have grown from 8% to over 15% of total volume, even as our total volume rose by more than 50%.
- **Affluent Michigan investors and collectors**—they have not derived much economic benefit from the exemption as they already transacted their business in tax-exempt states with relative ease. However, they now enjoy the convenience of dealing with companies in Michigan.
- **Michigan hotels, restaurants, airlines, ground transportation services, and the like**--increased volume from out-of-state dealers and visitors attending coin shows and more Michigan coin dealers taking booths at Michigan coin shows rather than setting up booths at shows in other states that have this sales tax exemption.
- **Michigan banks, credit unions, and other financial institutions**--increased volume from providing precious metals IRAs to Michigan investors.
- **Michigan media**—my company now spends triple the budget on Michigan advertising than it did before the exemption took effect.
- **Michigan children and the less fortunate**—when the Michigan quarter was issued in 2004, my company was one of three coin operations in Michigan that gave away these coins in return for donations to local food banks. This community support was later copied by coin dealers in other states when their quarters were issued. Increased industry prosperity has made it possible for this company and others to substantially increase presenting educational programs at schools.
- **Consumer protection**—in-state companies have helped local and state authorities shut down deceptive marketers in Michigan (in early 2004, my company assisted Michigan Attorney General Mike Cox in obtaining a cease-and-desist order against Razzmatazz in the Detroit area, for instance). They have also provided information to Michigan residents to avoid being victimized by high-pressure telephone sales tactics used to sell merchandise at inflated prices. In general the buyers and sellers of rare coins and precious metals bullion are more comfortable transacting their business face-to-face with a merchant rather than trusting their money or their merchandise with an out-of-state vendor they only know as a voice on the telephone and perhaps a post office box address.

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Growth Of The Number Of Michigan Coin Dealerships In Districts Of House Tax Policy Committee Members Resulting From The July 7, 1999 Coin And Bullion Sales/Use Tax Exemption

Prepared by Patrick A. Heller, CPA and President, Liberty Coin Service
August 24, 2005

District Number	Representative	Coin Dealers July 7, 1999	Coin Dealers Current	New Dealer Locations
13	Farrah	1	3	Riverview, Trenton
25	Bieda	3	4	Sterling Heights
27	Meisner	1	0	
31	Miller	3	2	
33	Drolett	0	1	Maconb Twp
35	Conimo	3	2	
36	Palmer	0	2	Shelby Twp, Washington Twp
41	Gosselin	3	4	Troy
44	Stakoe	1	2	Clarkston
46	Marleau	1	2	Lake Orion
50	Zelenko	2	2	
61	Hoogendyk	4	5	Parchment
71	Jones	2	2	
84	Meyer	3	5	Caro, Reese
87	Newell	2	3	Ionia
88	Sheen	0	0	
92	Bennett	0	2	Muskegon (2)
TOTAL		29	41	

Conclusion #1: There are today 41% more coin dealerships in the districts of the members of the House Tax Policy Committee than there were on July 7, 1999 when the sales/use tax exemption for rare coins and precious metal bullion took effect.

Conclusion #2: There are approximately 50% more people employed at coin dealerships in districts of the members of the House Tax Policy Committee.

Conclusion #3: Combined sales are up more than 100% at coin dealerships in districts of the members of the House Tax Policy

Note: the number of coin dealerships does not include those who only operate on the internet.

Coins & Collectibles

COINS - JEWELRY - DIAMONDS - GOLD - SILVER - STERLING SILVER
BUY - SELL - APPRAISALS - COMPLETE SUPPLIES

August 24, 2005

Mr. Patrick Heller,

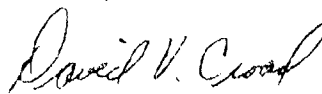
As per our phone conversation, I am writing to inform you of my past experience since the exemption of the Michigan State Sales Tax on coins and precious metals.

Our business in these areas has increased by about 20% in coins and 25% in precious metals. Through this we have been able to expand our inventory and I have had the fortune of adding another sales associate to the store.

I am currently looking at moving our store into a larger location and adding another person to our payroll. A repeal, or revocation, of this exemption would give me great cause to rethink my decision to move and grow my business.

Since the end of sales tax on coins and precious metals here in Michigan, I have had many customers, who used to order over the phone to other states, start purchasing from our store. I believe that we were able to keep those dollars in Michigan rather than going to other states. I strongly believe that my business has prospered since the taxes were removed. I am fearful of what adding them back on might do to my business and the industry as a whole.

Sincerely



David Croud
Coins & Collectibles